

Message Text

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PAGE 01 PARIS 21143 201706Z

46

ACTION EUR-12

INFO OCT-01 EA-07 ISO-00 EB-07 ABF-01 FS-01 AID-05 CIAE-00

COME-00 FRB-03 INR-07 NSAE-00 USIA-06 XMB-02 OPIC-03

SP-02 CIEP-01 LAB-04 SIL-01 OMB-01 SAJ-01 AGR-05

FEAE-00 INT-05 NSC-05 SS-15 STR-04 CEA-01 L-03 H-02

PRS-01 PA-01 /107 W

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O R 201654Z JUL 76

FM AMEMBASSY PARIS

TO DEPARTMENT OF TREASURY IMMEDIATE

INFO SECSTATE WASHDC 3139

AMEMBASSY BONN

AMEMBASSY LONDON

AMEMBASSY ROME

AMEMBASSY TOKYO

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PASS TO FEDERAL RESERVE AND COMMERCE

E. O. 11652: N/A

TAGS: EFIN

SUBJECT: PARIS FOREX MARKET

1. BANK OF FRANCE RAISED THE MONTHLY TENDER RATE TODAY TO 8 AND 3/4. THIS RATE RELATED TO RESERVE PERIOD ADJUSTMENTS DUE THE 21ST OF EACH MONTH AND THUS SETS THE FLOOR FOR DAY TO DAY CALL MONEY MARKET RATES WHICH THE MARKET EXPECTS TO BE ABOUT 9 PERCENT TOMORROW BUT CERTAINLY NO LESS THAN 8 AND 3/4.

2. THIS ACTION CHARACTERIZED AS FIRST REALLY AGGRESSIVE ACTION BY AUTHORITIES TO COUNTER FOREX MARKET PRESSURE CAUSED REACTION IN AFTERNOON TRADING AS FRANC-DOLLAR
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PAGE 02 PARIS 21143 201706Z

RATE FELL FROM 4.925 TO 4.89. RATE PROBABLY WILL CLOSE

AT 4.90. INTERVENTION REPORTED LIGHT, AS BANK OF FRANCE USED SHORT-TERM INTEREST RATE TO SEND MESSAGE THAT ENOUGH IS ENOUGH.

3. FOR SECOND DAY IN ROW VOLUME TRAILED OFF IN AFTERNOON AFTER STRONG BEGINNING IN MORNING. THIS PATTERN VIEWED AS MYSTERIOUS BY FOREX TRADERS WHO CANNOT REALLY EXPLAIN IT. SOME BELIEVE IT INDICATES A SLACKENING IN PRESSURE.

4. THE RISE TO ABOUT 5 PERCENT FOR EURO-D/MARK FOR THE FIRST TIME IN A YEAR CAUGHT EVERYONE'S ATTENTION AND PARIS FOREX MARKET EXPECTS A STRONGER D/MARK IN THE COMING WEEKS. ALSO U.S. ECONOMIC NEWS OF GNP GROWTH OF 4.4 PERCENT SUGGESTS THE RECENT DECLINE IN U.S. INTEREST RATES MAY REFLECT UNDERLYING TRENDS. SOFTER U.S. INTEREST RATES WITH A RISE IN D-MARK INTEREST RATES COULD ALSO CHANGE FOREX MARKET ASSESSMENTS. SOME FOREX TRADERS OBSERVE THAT SUCH FACTORS WILL TAKE ATTENTION AWAY FROM THE FRANC AND THAT A FRANC/DOLLAR RATE BETWEEN 4.85 AND 4.90 LOOKS MORE AND MORE LIKELY FOR SOME TIME TO COME.
GAMMON

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